

THE WHITE HOUSE
WASHINGTON

CABINET AFFAIRS STAFFING MEMORANDUM

Date: 6/25/84 Number: 169019CA Due By: _____

Subject: Cabinet Meeting with the President - Tuesday, June 26, 1984

2:00 p.m. - Cabinet Room

	Action	FYI		Action	FYI
ALL CABINET MEMBERS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vice President	<input type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
State	<input type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input type="checkbox"/>	<input type="checkbox"/>			
Agriculture	<input type="checkbox"/>	<input type="checkbox"/>	Baker	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Commerce	<input type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Labor	<input type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>	Jenkins Chapman	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HUD	<input type="checkbox"/>	<input type="checkbox"/>	Mc Farlane	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Transportation	<input type="checkbox"/>	<input type="checkbox"/>	Svahn	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Energy	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input type="checkbox"/>	<input type="checkbox"/>			
			CCCT/Gunn	<input type="checkbox"/>	<input type="checkbox"/>
GSA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input type="checkbox"/>	<input type="checkbox"/>
EPA	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/	<input type="checkbox"/>	<input type="checkbox"/>
OPM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCHR/Simmons	<input type="checkbox"/>	<input type="checkbox"/>
VA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CCLP/Uhlmann	<input type="checkbox"/>	<input type="checkbox"/>
SBA	<input type="checkbox"/>	<input type="checkbox"/>	CCMA/Bledsoe	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			CCNRE/	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

The President will chair a meeting of the Cabinet on Tuesday, June 26, 1984 at 2:00 p.m. in the Cabinet Room.

The agenda and background papers are attached.

RETURN TO:

Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823

Katherine Anderson
 Tom Gibson
 Don Clarey
 Larry Herbolzheimer
Associate Director
Office of Cabinet Affairs
456-2800

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE CABINET

FROM: EDWIN MEESE III *EM*

SUBJECT: CABINET MEETING OF JUNE 26, 1984

DATE: June 25, 1984

Attached are the agenda and related materials to be discussed at the Cabinet meeting scheduled for Tuesday, June 26, 1984, at 2:00 p.m. in the Cabinet Room.

The first agenda item will be a review of progress toward achieving the President's goal to reduce Federal civilian employment by 75,000 by the end of FY 1984. Tables listing each agency's status and end-of-year projections are attached.

The second agenda item, Federal Employee Productivity, will include the report and recommendations of the CCMA Working Group on Management Practices. Attached is a memorandum from the Working Group Chairman, Tim McNamar, describing the activities and recommendations of the Working Group.

The third agenda item will include a discussion of OBM Circular A-76, and current problems we are having with this initiative. A paper and materials from OMB are attached.

Attachments

THE WHITE HOUSE

WASHINGTON

CABINET MEETING

JUNE 26, 1984

2:00 p.m.

The Cabinet Room

AGENDA

1. Federal Civilian Employment
2. Federal Employee Productivity
3. Productivity Improvement in Government Services:
Contracting Out (A-76)

FEDERAL CIVILIAN EMPLOYMENT

Progress Toward the Goal of Reducing
Non-Defense Employment by 75,000 FTE
By the End of FY1984

ATTACHMENT "A"

June 12, 1984
22:120,101

NON-DEFENSE FTE EMPLOYMENT, FY 1984

Agency	Ceiling	Implied Lapse Rates (Percent) ^{1/}							FY 1983 Full Year
		Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr. ^{2/}	
Agriculture.....	108,900	-2.72	-1.28	0.45	1.89	2.91	3.72	3.40	1.06
Commerce.....	33,505	1.21	2.09	2.55	2.96	3.30	3.79	3.64	7.59
Corps of Engineers.....	28,935	0.51	2.13	3.56	5.20	7.71	1.00	1.74	-0.82
Education.....	5,189	2.29	2.67	2.79	3.17	3.30	3.37	3.43	3.25
Energy.....	16,757	1.47	0.70	0.52	-0.37	-0.25	0.30	0.28 *	-1.81
HHS.....	137,370	-1.23	-1.34	-1.35	-0.11	-0.23	-0.23	-0.16 *	0.20
HUD.....	12,878	1.07	1.27	1.44	1.80	2.10	2.47	2.70	1.35
Interior.....	73,244	-0.05	1.12	1.95	2.69	3.09	3.30	3.10	1.89
Justice.....	58,748	3.23	3.06	2.92	2.73	2.54	2.30	2.12 *	2.16
Labor.....	19,246	1.79	1.89	2.08	2.19	2.30	2.53	2.73	2.32
State.....	24,759	4.33	4.28	4.25	4.28	4.22	3.99	3.77	0.65
Transportation.....	61,994	0.83	0.92	1.40	1.12	1.18	1.24	1.30 *	1.40
Treasury.....	125,526	6.55	6.89	6.38	5.97	5.11	3.78	3.00	6.74
EPA.....	11,598	12.26	7.92	6.36	5.33	5.45	4.59	4.54	0.38
NASA.....	22,000	-1.22	-1.13	-1.07	-0.91	-0.84	-0.68	-0.56 *	-1.07
VA.....	219,298	1.18	0.96	0.72	0.58	0.52	0.48	0.46 *	0.13
TVA.....	35,500	1.27	2.35	3.20	7.07	9.04	10.23	9.92	12.21
USIA.....	8,356	4.63	4.48	4.32	4.16	3.98	3.76	3.45	2.07
All other agencies.....	96,300	2.40	2.38	2.24	2.22	2.31	2.27	2.12	3.14
TOTAL.....	1,100,103	1.10	1.34	1.54	1.96	2.11	2.20	2.05	2.23
FY 1984 lapse rate needed to achieve 75,000 reduction goal	---	---	---	---	---	---	---	1.09	---
FY 1983.....	1,116,987	2.54	2.79	2.91	3.16	3.21	3.10	3.44	2.23
FY 1982.....	2,136,114	1.22	1.93	2.46	2.96	3.24	3.46	3.41	3.47

^{1/} A lapse rate is a shortfall of actual FTEs relative to the FTE ceilings. An implied lapse rate is the shortfall of actual FTEs for part of a year to the planned use of the FTE ceilings for that part of the year. A negative sign before a lapse rate means that there is an overrun relative to the ceiling, not a shortfall.

^{2/} Preliminary.

Target: -76,700 Non-Defense Work Years by September 30, 1984 (FY 1985 Budget)

AGENCY	Reductions To Date	OMB Reducts. (Incrs.) Remaining	% of OMB Target Achieved
<u>Agencies With Targeted Decreases</u>			
Defense, (Corps of Engineers)	- 1.8	- 1.4	56.1
National Aero & Space Administration	- 0.4	- 0.3	59.9
Health and Human Services	- 14.9	- 1.8	89.1
Agriculture	- 11.0	- 1.1	90.6
Interior	- 8.2	- 0.2	97.1
Energy	- 1.9	a/	98.1
Housing and Urban Development	- 2.8	a/	98.5
All Other Agencies	- 7.1	+ 0.3	104.0
Education	- 1.5	+ 0.1	105.5
Transportation	- 6.5	+ 0.4	106.9
Labor	- 2.6	+ 0.3	110.8
Tennessee Valley Authority	- 11.4	+ 2.2	124.0
Commerce	- 3.6	+ 0.8	129.4
General Services Administration	- 4.8	+ 1.2	131.6
Office of Personnel Management	- 1.0	+ 0.3	136.0
Panama Canal Commission	- 0.8	+ 0.3	149.2
<u>Agencies With Targeted Increases</u>			
Environmental Protection Agency	- 1.9	+ 0.6	0.0
Treasury	- 2.3	+ 3.5	0.0
State	+ 1.0	+ 0.9	51.6
U.S. Information Agency	+ 0.4	+ 0.3	55.6
Justice	+ 2.8	+ 1.6	63.3
Veterans Administration	+ 8.1	+ 1.6	83.7
Allowable Ceiling Use		+ 9.3	114.8
Unallocated Lapse		- 13.8	82.1
Total Non-Defense Reductions to Target	- 72.3	- 4.4	94.2
OPM Projection, End of FY 84	- 69.1	- 7.6	90.1

a/ Less than 100.



THE DEPUTY SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

MEMORANDUM FOR CABINET COUNCIL ON MANAGEMENT AND ADMINISTRATION

FROM: R.T. McNAMAR, Chairman *R.T.M.*
Working Group on Personnel Practices (Morale)

SUBJECT: Management Practices and Employee Morale

DATE: June 25, 1984

Over a year ago, CCMA took up the topic, "Personnel Management Improvement (Morale)," stimulated at first by several reports, external and internal, that the morale of federal employees was low, and we may be losing too many of our best people.

While subsequent studies have shown that employees are generally satisfied with their jobs, there is evidence that they are dissatisfied with how they perceive they are valued by the public and, particularly, by this administration. Those views are reinforced by our efforts to control costs for employee pay and retirement, to reduce the size of the workforce, and to reduce office space.

On December 19, 1983 a CCMA working group was established. Members include Verne Orr (Air Force), Harry Walters (VA), Bill Ruckelshaus (EPA), Loretta Cornelius (OPM), Ralph Bledsoe (OPD), Arlene Triplett (OMB), and myself, as chair.

The group met ten times, two of which were with representatives of the Public Employees Roundtable, an association of public employee groups, whose memberships total about 750,000 professionals and managers.

The two fundamental conclusions of the working group were:

- 1) The most important thing we can do to improve morale is to let employees know that they are valued, showing that by treating them as part of our team and giving them recognition when they do a good job.
- 2) Our objective should be to take reasonable actions that improve morale and boost productivity, while not unduly catering to the interests of federal employees or abandoning needed budget reforms.

In that context, on May 21, 1984 we made several recommendations in a CCMA Planning Meeting. The working group recommends:

- A. A government-wide initiative with central leadership and decentralized implementation to improve productivity through higher morale. The effort should be highly visible to employees as an initiative of line management, from the President down through agency heads and executives. Progress would be monitored by line agencies through CCMA.

Policy support would come from the President and OMB, OPM, and GSA, but success would depend on the personal commitment of agency heads, building on existing programs.

- B. Issuance to agencies of a Presidential directive covering action in three general areas:

1. Presidential/Cabinet Leadership

The directive would make clear that high Federal employee morale, linked with productivity, is an important goal of the administration.

It would specify government-wide elements in a campaign to improve management practices and employee morale, including:

- Government-wide theme
- Government-wide goals and objectives
- Health and wellness programs
- Positive personnel programs
- "Government Excellence Month"
- Strengthened awards program

The directive would describe discretionary model Department/Agency programs, including:

- Mission statements
- Organizational goals/ objectives/ projects
- Agency themes/posters
- Improved communication with employees

2. Work with Responsible Employee Groups

Many professional employee groups share common goals with the Administration to improve productivity and quality, enhance use of modern tools and techniques, and foster the perception by the public that government employees (under our leadership) are serving the public.

The proposed directive would direct and encourage agencies to work with responsible employee groups to develop productivity/ quality improvement efforts.

It would also encourage joint efforts to improve relations with the public, through better service and better communication.

Tied with this would be increased joint OMB/OPM/GSA meetings with employee groups on management improvement issues.

3. Personnel Management Innovation

"Red Tape" in the personnel management system makes it harder for line managers to take appropriate actions in managing their subordinates. The result often hurts morale.

The Working Group's proposed directive would encourage innovative approaches to personnel management, including aggressive use of Title VI of the Civil Service Reform Act, which provides for selective waivers of personnel laws and regulations for demonstration projects. That is, departments and agencies would be able to create a set of personnel rules more similar to those found successful in the private sector. Agencies would be directed to develop specific proposals for OPM and Congressional approval.

The working group has surveyed agencies for recommended projects and has developed a list of promising ideas. Other sources of project ideas are the President's Private Sector Survey on Cost Control and a recent report from the National Academy for Public Administration.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

MEMORANDUM FOR: EDWIN MEESE, III

FROM: Joseph R. Wright, Jr., Deputy Director

SUBJECT: Presidential Memorandum on OMB Circular No. A-76

Many Federal agencies are not implementing OMB Circular No. A-76, "Performance of Commercial Activities." This represents a lost opportunity for management efficiencies and budget reductions. The following describes the need for a Presidential memorandum in support of the program. Long-term savings potential could exceed \$1 billion per year if it were properly implemented and included as part of the budget.

Background

The A-76 process should enhance Governmental productivity by comparing the cost of Government-operated commercial activities with the private sector. It provides Federal managers with an incentive to become more efficient through open competition with private businesses. Almost 1,700 cost studies have been conducted since 1979, primarily in DOD, resulting in an average savings of 20% over the previous cost of the commercial activity to the Government.

The program is a proven productivity tool that has been supported by the President's Private Sector Survey on Cost Control, the National Academy of Public Administration and the General Accounting Office. Caspar Weinberger reports that the program is now resulting in over \$300 million per year of DOD funds put to better use. In 1983 alone, DOD reduced 9,143 FTEs through conversion to contract and streamlining of in-house operations.

Discussion

A-76 should not be, but has been, a controversial program among many Federal managers and some members of Congress. It is perceived solely as a "contracting out" program because a non-competitive Federal manager fears he will lose the management of a commercial function to the private sector. Overlooked is the fact that A-76 is primarily a productivity improvement program that challenges conscientious Federal managers to improve their productivity. The Circular requires the development of measurable performance output standards, quality assurance plans to track performance, and the conduct of management efficiency studies to increase Government productivity. Then it relies on the competitive market to select the most cost-effective way (Government or private) to provide the service.

Twenty-four Federal agencies recently reported to OMB on their progress and plans for implementing A-76. After making A-76 an important part of Reform '88 and tying it to the budget process, we expected significant progress in its implementation.

With few exceptions, this has not been the case. To the contrary, many agencies have understated the scope of their commercial activities by 400-500%, and some Federal program managers have even misrepresented A-76 in discussions with Congress.

This inaction represents a significant lost opportunity to reduce the Federal budget through management efficiencies. Attachment 1 summarizes an analysis we recently prepared of the program's cost saving potential in response to the Grace Commission's recommendation that we accelerate implementation of the program.

Next Steps

We could continue the present A-76 program as is, but the likelihood of achieving savings currently reflected in the 1985 budget from A-76 is slim without Presidential support. Additional savings that could be obtained also would be foregone unless we can halt the 29-year trend of noncompliance.

The agency inventories of positions that will undergo cost analysis have to be redone and the process has to be part of this summer's FY 86 budget/management reviews to be included in the budget.

A Presidential memorandum (Attachment 2) should be prepared to describe some of the President's concerns over the lack of A-76 progress. The A-76 process involves internal cost studies and procurement actions that have lengthy lead-times. Efforts to achieve savings within the 1985-1988 time frame must begin now.

And, finally, we need to dispel the misperceptions of many Federal managers that this program is a plot to "contract out" jobs in a wholesale manner that could harm Government missions and raise costs. A statement by the President advocating fair competition, quality performance, and cost effectiveness as the guiding principles of the A-76 cost comparison process would greatly help the program and improve productivity in the Federal Government.

Attachments

Copy to: Ralph Bledsoe

ATTACHMENT 1

BACKGROUND INFORMATION ON A-76 COST SAVINGS

Through OMB's management review process, we identified 19,201 FTE reductions and \$451.9 million in A-76 savings that could be achieved by 1988 in non-Defense agencies. The savings estimates were extremely conservative and several agencies received no projected reductions. However, all savings were premised on implementation of the Circular and inclusion in the budget — a task many are still avoiding.

In the course of our most recent analysis of the Grace Commission's recommendations, we made our own estimate of FTE savings available if the A-76 program were accelerated within reason.

Savings through 1987

<u>Civilian Agencies</u>	<u>FTEs Studied</u>	<u>FTEs Saved</u>	<u>Dollars (millions)</u>
1985-87 Budget projection	33,000	15,235	\$272.0
Program accelerated beginning in 1985 and GSA savings reflected in charges to agencies	<u>39,000</u>	<u>15,945</u>	<u>154.7*</u>
Total	72,000	31,180	\$426.7
<u>Department of Defense</u>			
1985-87 Budget projection	30,000	reprgm	reprgm
Program accelerated with no reprogramming	<u>15,000</u>	<u>18,585</u>	<u>296.3</u>
Total	45,000	18,585	\$296.3
Grand Total	117,000	49,765	\$723.0

This still represents only 5% of the Federal civilian work force.

In the outyears, these savings will grow, as the program can be accelerated further (we estimate approximately 500,000 FTEs in commercial activities; under the current rate of review, cost studies would be completed over a 20-25 year cycle, rather than the 4 years required by A-76). Sizeable room for improvement exists, but our first step must be to increase agency support and compliance.

Presidential and Cabinet assistance for A-76 is vital for its implementation and for the attainment of its cost savings.

* Savings are spread out over 2-year periods after year A-76 study initiated. Hence, 1985-87 dollar savings from accelerated program are smaller than those available from current efforts. In outyears, the accelerated program should generate substantial additional cuts.

DRAFT

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

SUBJECT: Enhancing Governmental Productivity Through
Competition

Competition is the single most important source of innovation and productivity in our economy. We must take advantage of its benefits to increase the productivity of Government operated commercial activities.

In OMB Circular No A-76, "Performance of Commercial Activities," we have a program that improves Federal productivity by bringing the competitive marketplace into Government management. The Circular establishes a fair process for comparing the cost of Government operation of commercially available support services with private sector operation of the same services. It challenges our Federal managers to be innovative and competitive with the business community. The selection of the most cost-effective method of providing commercial services, either by Government or private sector operation, results in improved quality and substantial savings to the taxpayer.

I regret that many agencies still are missing opportunities for increased productivity by not implementing the Circular.

Too few Federally operated commercial functions were cost compared last year. This is unfair to taxpayers, businesses, and employees who are interested in an efficient, effective Government.

Therefore, I call on you to implement OMB Circular No. A-76 within your agency by identifying all Federally operated commercial activities and by conducting cost comparisons with the private sector. With your assistance, we can meet our commitment to the taxpayer of better Government at less cost.

A-76 LEGISLATIVE ACTIVITY

6/25/84

H.R. 2900 and S. 1097 — NOAA Authorization Bill

Sec. 201(c) of House passed version of S. 1097 was unacceptable in that it prevented A-76 contract solicitations until Congress has 45 legislative days to review the Government's management study.

We have negotiated on this language with the Senate Commerce Committee staff and the Senate passed version is now more acceptable. Conference originally was expected to go with Senate version, but that agreement appears to be unravelling. The House may push for Sec. 201(c).

H. 4841 and S. 2526 — Coast Guard Authorization Bill

The language on A-76 which was passed in the House version of the bill requires a 30-day Congressional review of the Government's management decisions before a contract solicitation may be issued.

Section 9 of S. 2526, as introduced in the Senate, would require the Coast Guard to give Congress a listing of activities to be studied 60 days before the start of the fiscal year. We support the Senate language.

H.J. Res. 492 and Park Service

H. J. Res. 492 is the USDA supplemental appropriations and it includes aid to El Salvador. Would require all recommendations on A-76 studies in the Park Service and the Fish and Wildlife Service be given to Congress by October 30, 1984, for 30-day review and prevents further A-76 solicitations until after January 1, 1985.

The Subcommittee on Public Lands and the National Parks (Congressman Sieberling) held hearings on this on 5/22/84 and 6/8/84. OFPP staff attended. We are trying to convince Interior to look at larger A-76 activities in FY 85; Congress is concerned about the cost of effectiveness of studies of under 10 FTEs and of what is "commercial."

House Appropriations Subcommittee on Interior has marked up a bill to send to full committee on 6/28. It deletes funds for A-76 coordinator in Secretary's office and prohibits contracting unless study funds were requested in the budget -- none were requested for FY 1985.

S. 1746 — Rudman Bill

Senator Rudman's "Freedom from Government Competition Act of 1983" would require the contracting out of commercial activities. Several businesses complained of unfair cost comparisons in hearing before the Senate Committee on Governmental Affairs on 6/6/84. Additional hearings may be held on S. 1746. This may be a vehicle for negotiating Congressional endorsement for A-76 after the hearings are over.

H. 5743 — Agriculture Appropriations Bill

The House Appropriations Committee report on H.R. 3401 directs USDA to reduce resources spent on A-76 studies because the Committee believes A-76 is an administrative burden. There is no specific language in H.R. 5743 itself (which was passed by the House), but the Committee says that it will follow spending on A-76 and consider legislation. We have contacted Gordon Wheeler and asked for Senate contacts to brief on A-76. It is a case of the Senate being fed bad information on A-76.

H. 5799 — Veterans Preference

Don Albosta (D.-Michigan) has introduced a bill that would prohibit the contracting out of positions encumbered by preference eligible veterans in messenger, guard, elevator operator, and custodians. We gave Mr. Tom Stanners a copy of the bill and requested his advice concerning it. DOD and GSA oppose the bill; the business community does not like it.

H. 5167 and S. 2723 — Defense Appropriations

The House passed an amendment by Mr. Nichols (Alabama) to require DOD to list core logistics functions exempt from A-76. The amendment also places a moratorium on logistics functions until the list is developed (April 1, 1985). The Administration has objected strongly to the amendment. On June 20, 1984, the Senate adopted language in S. 2723 on A-76 that is acceptable to DOD. At issue is whether the military department heads should unilaterally identify core logistics functions. OMB and DOD want the authority with the Secretary of Defense. This is a matter that should be resolved in Conference.

Treasury and Postal Service Appropriations (No number)

The bill is being marked up and could be out in a couple of weeks. We hear that it may continue the Edgar Amendment prohibition on contracting out categories of jobs at GSA. Given H.R. 5799 (listed above), we may be able to delete the Edgar Amendment restrictions.

**PROGRESS AND PROBLEMS
IN IMPLEMENTING OMB
CIRCULAR NO. A-76**

Office of Federal Procurement Policy

Office of Management and Budget

May, 1984

THE GOOD NEWS

1) A-76 has been endorsed as an effective productivity improvement process by:

- * the General Accounting Office;
- * the President's Private Sector Survey on Cost Control; and
- * the National Academy of Public Administration.

2) A-76 is a major management efficiency program for the Department of Defense:

- * 9143 FTE* reduced in FY 83 through cost studies;
- * Average savings of 27% generated as a result of A-76 reviews of commercial activities;
- * Government wins half of the cost comparisons by moving to more efficient organizations (through improved work processes, reclassification of overgraded jobs, automation, and other techniques); and
- * Concept of efficiency reviews is being applied to study 1,041,000 non-commercial occupations exempt from A-76 because of its success in productivity improvement.

3) The Circular was revised and simplified in August, 1983, after months of consultation with agencies, employee groups, business representatives, and the Congress.

4) A-76 has been incorporated as one of the major initiatives of President Reagan's "Reform 88" management improvement program.

*An "FTE" is a full-time equivalent position.

FOUR STEPS TOWARD BETTER GOVERNMENT: THE A-76 PROCESS.....

Step #1: Preparation of performance work statements that define the organization's objectives in measurable performance standards. This document includes a systematic quality assurance system to measure achievement of the standards.

Step #2: Completion of an efficiency study to develop the most cost effective way for the Government to provide the service. Agencies are encouraged to adopt innovative management strategies to provide quality services at reasonable cost.

Step #3: A-76 then interjects the competitive marketplace into our search for the most cost effective operation by allowing the private sector to compete for the opportunity to provide the same commercial services at the same performance standards.

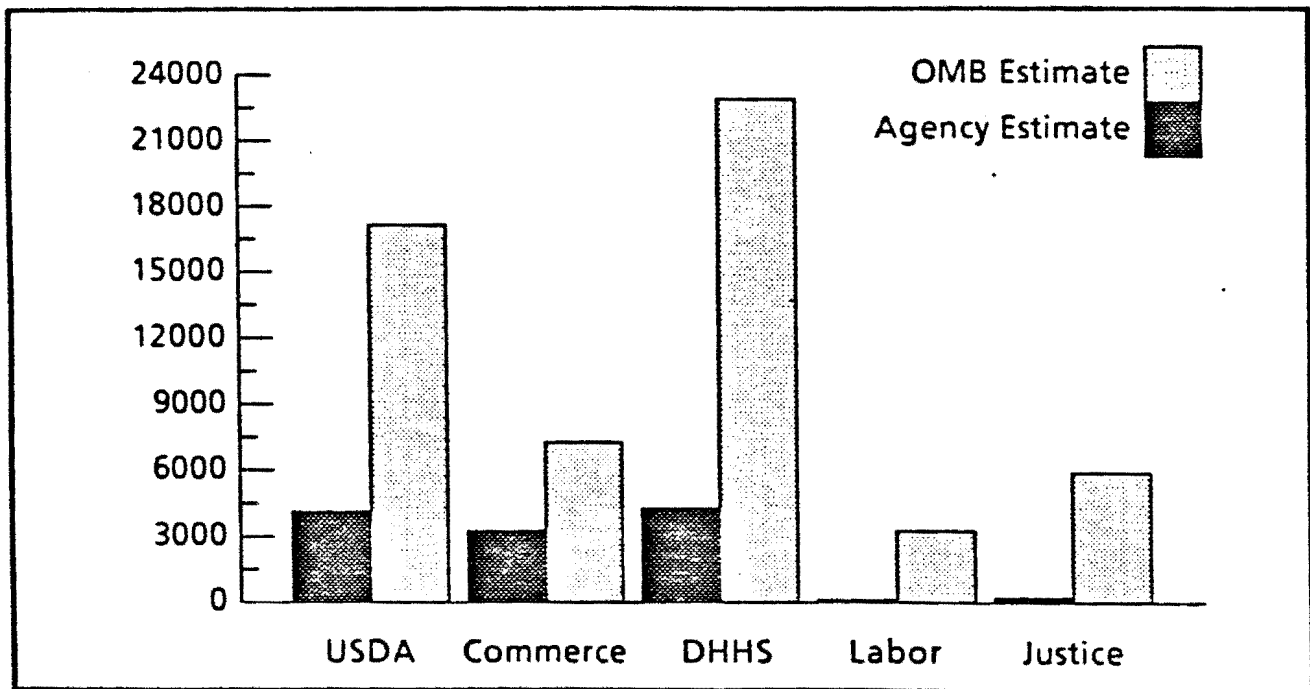
Step #4: The most cost-effective means of operation -- public or private -- of the commercial activity is selected. Whoever wins the competition is held accountable to the performance standards through a formal quality assurance program.

THE BAD NEWS.....

Many Federal agencies continue to understate the size of their commercial activities.

For example, the Social Security Administration reports only 183 FTE in its current inventory, yet it employs over 5,000 mail and file clerks, 147 warehouse and stockhandlers, 3,289 data transcribers, etc..

**Selected Agencies'
A-76 Commercial Activities Inventories
Agency vs. OMB Estimates**



Each understated inventory represents a substantial lost opportunity.

MORE BAD NEWS.....

Many Federal agencies did few -- if any -- cost studies in FY83.*

Agency	Commercial Activities Cost Studied	FTEs Reduced
AID	0	0
USDA	8	74
Commerce	4	67
Defense	298	9143
Education	0	0
Energy	5	70
FEMA	0	0
DHHS	6	9
Justice	0	0
Labor	1	5
NRC	0	0
OPM	0	0
Peace Corps	0	0
SBA	5	1
Treasury	5	64
USIA	1	5

DOD plans to study approximately 400 commercial activities in 1984, covering 10,000 FTEs. The remaining 23 agencies reporting their plans to OFPP indicate they will review only 99 activities with 1,918 FTEs in 1984.

* The 23 civilian agencies reported an additional 656 FTEs reduced in FY 83 from conversions to contract without a cost study. All DOD savings were generated through formal cost studies.

The formal, A-76 cost study process is an open, fair, and proven method of generating savings through interjecting the competitive marketplace into Federal management. The lack of formal cost studies in many agencies is the primary reason employees misperceive A-76 as a "contracting out" program.

CAUSES UNDERLYING PROBLEMS WITH A-76 :

- **Managing an agency's A-76 program is often a part-time duty**
- **Skepticism of Federal program managers. As one bureau in the Department of Justice reported to OMB in March, 1984:**

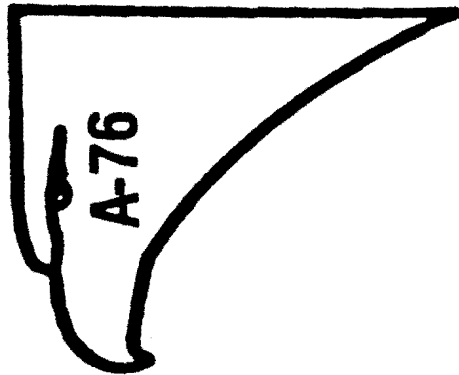
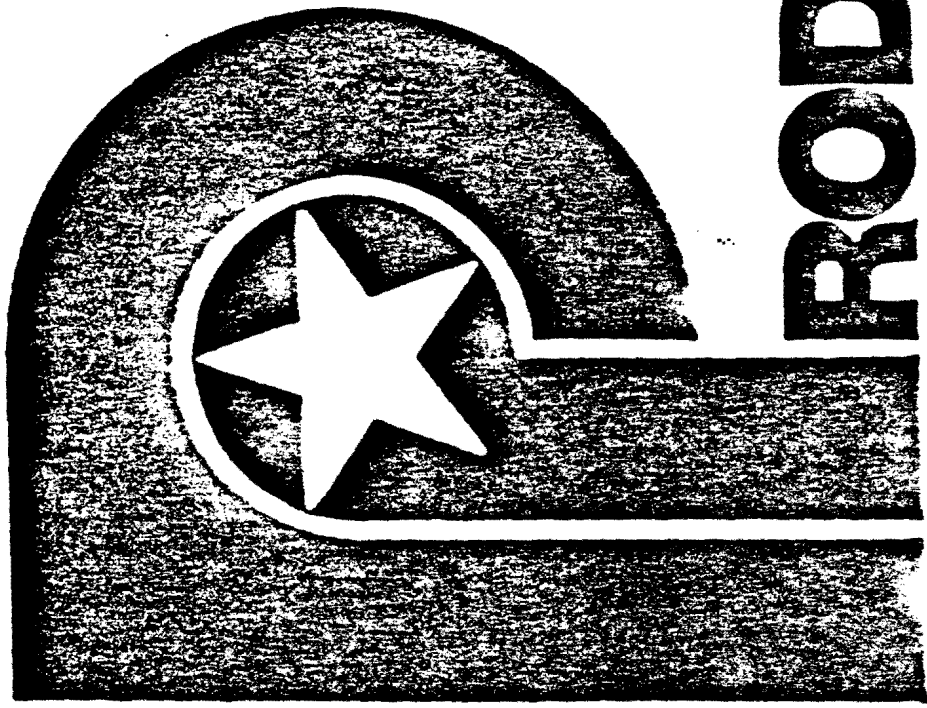
"It is not expected that cost studies will result in any appreciable savings inasmuch as the activities are currently being performed at the lowest cost possible. Future budgets may require increases to reflect additional manpower requirements to conduct cost studies."

Given this attitude, it is unsurprising that only 5 A-76 actions -- none involved formal cost studies -- were completed in the entire Department of Justice in 1983.

- **Internal controls over A-76 program are lacking in several agencies.**
- **Little involvement of Personnel Officers or Budget Officers in program.**
- **Employees not informed about nature and scope of program.**
- **Agencies do not keep Congress well informed about their A-76 efforts, nor about the benefits it provides to taxpayers, businesses, and Federal employees interested in cost effective government. Instead, several agency officials have misrepresented the program in their descriptions of it to members of Congress.**

NECESSARY ACTIONS.....

- 1) Personal involvement and support of senior agency officials**
- 2) Full time, trained A-76 staff in Comptroller's Office or as part of an agency's Reform '88 staff. In several agencies, personnel changes may be needed to get the program implemented.**
- 3) Revise commercial activities inventories with assistance of personnel and budget staffs.**
- 4) Develop and implement plan for keeping Congress informed about A-76 actions.**
- 5) Management tracking of A-76 progress is needed.**
- 6) Inform employees about the scope and nature of A-76. Solicit their input in development of Most Efficient Organizations' studies required by A-76.**



PRODUCTIVITY
IT ALL COMES BACK TO YOU!